

Message Text

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PAGE 01 STATE 129279

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ORIGIN EA-14

INFO OCT-01 ADP-00 AID-20 RSC-01 AGR-20 XMB-07 CIAE-00

INR-10 NSAE-00 OPIC-12 TRSE-00 (ADP) R

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AID-ASIA/I - MR. BOLLINGER

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R 021623Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

UNCLAS STATE 129279

E.O. 11652: N/A

TAGS: BGEN, EAID, ID

SUBJ: GOI ENCOURAGEMENT FOR FOREIGN INVESTMENT IN AGRICULTURE

REF : JAKARTA 7485.

1. AT REQUEST OF GENERAL ARIFIN, GOI MARITIME ATTACHE
CAPT HAMZAH ACCOMPANIED BY FIRST SECRETARY HUTAGALUNG AND
CONSULTANT NAMED DEMSON MET WITH STATE/AID REPRESENTATIVES
JUNE 28 TO DISCUSS GOI DESIRE ATTRACT FOREIGN INVESTMENT
FOR LARGE SCALE MECHANIZED RICE PROJECT ON 250,000 HECTARES
IN SOUTHEAST SULAWESI. PROJECT WOULD BE JOINT VENTURE WITH
GOI OR PRIVATE INDONESIAN FIRMS BACKED BY GOI TO PRODUCE
300,000 TO 400,000 TONS OF RICE PER YEAR. GOVERNMENT
WOULD BUY ENTIRE OUTPUT AND PROVIDE GUARANTIES REGARDING
PROFITS AND RECOVERY OF INVESTMENT. LAND WOULD BE PROVIDED
AT NOMINAL COST. LAND HAS NOT BEEN SURVEYED.

2. ALL AGREED FEASIBILITY STUDY WOULD BE NEEDED BEFORE
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PAGE 02 STATE 129279

MOST POTENTIAL INVESTORS COULD REALLY REACT TO IDEA. WE

NOTED THREE WAYS THIS MIGHT BE DONE IF U.S. FIRMS TO BE INVOLVED: A) OPIC PRE-INVESTMENT SURVEY (ADMINISTERED BY AGRIBUSINESS COUNCIL), B) DRAW FROM AID 5 MILLION DOLS LOAN FOR FEASIBILITY STUDIES, C) AND, AS POSSIBLE LONG SHOT, LARGE U.S. CORPORATIONS WITH INTERESTS IN AREA SUCH AS INCO, COULD BE ASKED TO CONSIDER FINANCING STUDY AND/OR MAKE RESOURCES SUCH AS ENGINEERS AVAILABLE AS CONTRIBUTION TO INDONESIAN DEVELOPMENT. WE ALSO SUGGESTED HAMZAH CONTACT AGRIBUSINESS COUNCIL IN NEW YORK TO OBTAIN ADVICE ABOUT HOW BEST TO PROCEED.

3. COMMERCE HAS BEEN IN TOUCH WITH SEVERAL LARGE FOOD PRODUCERS AND RICE FARMERS BUT HAS NOT FOUND MUCH ENTHUSIASM AT THIS PRELIMINARY STAGE. COMMERCE WILL PUBLISH DETAILS OF INDONESIAN PROPOSAL AS TRADE AND INVESTMENT OPPORTUNITY. DEMSON NOTED EQUIPMENT MANUFACTURERS MAY BE INTERESTED AND IS CONTACTING SEVERAL FIRMS. RUSH

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